

Press Release: January 2017

Online book retailer John Readings, has acquired the online book seller Bookworld from publishing house Penguin Random House in order to gain possible customers from Amazon and expand business operations.

The Bookworld acquisition will expand John Readings' share of the domestic online book market from 62% to more than 80%, and lift sales (for the combined online and retail stores) from AUD \$175 million in 2016 to an estimated AUD \$224 million by the end of 2017, afr.com reports.

Penguin Random House paid less than 5 million USD for the assets of Borders and A&R after the collapse of their parent, REDgroup Retail, in 2011 and rebranded the Borders website to Bookworld in 2012. John Readings has about 1.7 million registered users and Bookworld about 1.5 million, although Mr. Black suspects their customers might overlap.

Mr. Black intends to keep the John Readings and Bookworld brands separate, to give customers a different buying experience, but said the merger would give Bookworld customers access to a wider range of books and better customer service. John Readings has 4 million titles on its website, a similar number to Bookworld, but has 100,000 titles in stock at its dedicated online fulfilment centre in Laverton and a wider range of backlist and academic titles.

John Readings' sales have been increasing by 30% to 40% a year from 2015, reaching AUD \$175 million in 2016. Mr. Black expects that rate of growth to continue as more consumers buy books online and, believes sales will eventually match those of Amazon, which is estimated to sell between USD 200 million and USD 350 million of books in Australia a year.

IBISWorld said retail book sales had fallen more than 5% a year from 2010, while online book sales had surged 26% a year. Online book sales represent about 7% of the market, well below penetration rates in the UK and the US.

The Bookworld acquisition, which will be funded from cash flow and new bank facilities, increases the likelihood of John Readings' shareholders pursuing an initial public offer,

emulating other recently listed pure-play online retailers such as SurfStitch. The company is 90% owned by the extended Black family - Damian, his brother Simon Black, brother-in-law Steve Reel and sister Elana Reel - and 10% owned by staff.